

July 27, 1998

VIA HAND DELIVERY

Mary L. Cottrell
Secretary
Department of Public Utilities
100 Cambridge Street, 12th Floor
Boston, MA 02202

Re: A-R Cable Services, Inc., A-R Cable Partners, Cablevision of Framingham, Inc., Charter Communications, Greater Worcester Cablevision, Inc., MediaOne of Massachusetts, Inc., MediaOne of Pioneer Valley, Inc., MediaOne of Southern New England, Inc., MediaOne of Western New England, Inc., MediaOne Enterprises, Inc., MediaOne of New England, Inc., Pegasus Communications and Time Warner Cable v. Massachusetts Electric Company - D.T.E. 98-52

Dear Secretary Cottrell:

Enclosed please find for filing an original and nine (9) copies of Massachusetts Electric Company's Responses to the Department's First Set of Information Requests. A certificate of service is also enclosed.

Please acknowledge your receipt of the enclosed filing by time and date-stamping the enclosed duplicate copy of this transmittal letter, to be returned to me in the enclosed self-addressed, stamped envelope.

Thank you very much for your assistance.

Yours very truly,

Enclosures

cc: Jeanne L. Voveris, Hearing Officer (3 copies)
Sean Hanley, Rates Division (1 copy)
Mauricio Diaz, Rates Division (1 copy)
Jeffrey Hall, Rates Division (1 copy)
Service List (via Fax)

First Set of Information Requests of Mass. Electric - DTE-MECO1-1

Request:

In light of Department precedent in D.T.E. 97-82, please explain why MECo uses an amount from FERC Form 1 page 200, line 13 for total electric plant instead of from page 200, line 3.

Response:

Mass. Electric has used Total Utility Plant in its calculation instead of the Department precedent of Total Plant in Service. This has the effect of lowering the rate per solely owned pole by approximately 5 cents. The difference between Total Utility Plant and Total Plant in Service is principally Construction Work in Process (CWIP) and, to a lesser degree, Property Held for Future Use. Mass. Electric agrees with the Department that it would not be improper to use Total Plant in Service in the calculation.

First Set of Information Requests of Mass. Electric - DTE-MECO1-2

Request:

Refer to Exhibit DMW-1 at 1. Please explain why MEdCo's calculation of accumulated deferred taxes based on FERC Form 1, Accounts 190, 281-283 (\$171,115,450) differs from the Complainants' calculation of accumulated deferred taxes (\$179,390,646) based on these same FERC accounts.

Response:

As explained in the pre-filed testimony of David M. Webster, pages 7 through 10 and page 22, Mass. Electric has made an adjustment to exclude any impacts resulting from the implementation of FAS 109. As specified in my testimony, this adjustment has been made to reflect the accounting mandate issued by the Chief Accountant of the Federal Energy Regulatory Commission (FERC) and to be consistent with the Department's ratemaking precedent.

First Set of Information Requests of Mass. Electric - DTE-MECO1-3

Request:

In light of Department precedent in D.T.E. 97-82, please explain why MECo uses FERC accounts 190 and 283 in its calculation of accumulated deferred taxes for total electric plant instead of Accounts 281 and 282.

Response:

Mass. Electric has included in its calculation accumulated deferred taxes recorded in FERC accounts 190 and 283, in addition to the Department's precedent of FERC accounts 281 and 282. Mass. Electric has included these taxes for several reasons.

The Department has included in its calculation certain liability side deferred taxes (e.g., those deferred taxes recorded in accounts 281 and 282 for which Mass. Electric has received a benefit for tax purposes, but has not yet recorded for rate purposes), thus properly reducing the pole investment by the amount of these taxes. Since the Department has included these taxes in the formula, Mass. Electric believes that it should also include any asset side deferred taxes (taxes in which Mass. Electric has passed along the benefit, but has yet to be compensated) in the formula. If only the liability side deferred taxes were included in the formula, the attaching parties would be getting all of the benefit of the liability side deferred taxes without any compensation to Mass. Electric for its investment in those asset side deferred taxes. Mass. Electric's approach is consistent with Department ratemaking precedent regarding treatment of deferred taxes.

As stated above, the Department's precedent in Docket 97-82 included only those accumulated deferred taxes recorded in FERC accounts 281 and 282. Deferred taxes recorded in these accounts generally reflect only property related deferred taxes. Deferred taxes recorded in FERC account 283 generally reflect deferred taxes associated with items other than property such as employee benefits and other administrative deferred taxes. As stated above, items recorded in FERC account 190 reflect asset-side deferred taxes which are either directly related to property or are related to employee benefits.

The asset side deferred taxes related to employee benefits are approximately included in the pole attachment rate. Since the distribution system is maintained and supported by Mass. Electric employees, the formula approved by the Department dictates that the attaching entity should be responsible for an appropriate share of the operation, maintenance and support charges of the distribution system by including these costs in the carrying charge portion of the formula, therefore Mass. Electric believes the pole attachment rate should include all deferred taxes, including those resulting from employee benefits and other administrative deferred taxes.

First Set of Information Requests of Mass. Electric - DTE-MECO1-4

Request:

In D.T.E. 97-82 the Department used total distribution plant without adjusting for land and land rights. In Exhibit DMW-1, MECo has excluded land and land rights from total distribution plant. Please explain the Company's rationale for making this adjustment.

Response:

As explained in the pre-filed testimony of David M. Webster, pages 5 through 7 and page 21, Mass. Electric has made an adjustment to remove land and land rights from distribution property. This adjustment has been made because land and land rights are not depreciable items, therefore Mass. Electric believes these items should not be included in the calculation.

First Set of Information Requests of Mass. Electric - DTE-MECO1-5

Request:

Please refer to Exhibit DMW-1 at 1, line item “normalized tax expense”. Verify the accuracy of the individual tax accounts included in this calculation and, if necessary, provide a revised amount for normalized tax expense.

Response:

Mass. Electric has used the total in accounts 408 through 411 (operating taxes or “above the line” taxes only). Mass. Electric has verified the sum of the taxes reported in these accounts in as stated in Mass. Electric’s 1997 FERC Form 1 (page 114, lines 13 through 18). Mass. Electric, based upon the Department’s formula stated in Docket 97-82, believes it is in compliance with the Department’s directives.

First Set of Information Requests of Mass. Electric - DTE-MECO1-6

Request:

Refer to the Company's response to CABLE-6. Do third party attachments exist on "other" poles? Does the Company receive pole attachment revenues from "other" poles?

Response:

Yes, third party attachments exist on "other" poles. No, Massachusetts Electric does not receive revenues for pole attachments to "other" poles. Massachusetts Electric does not own these poles. Therefore, these poles are not reflected in Massachusetts Electric's pole investment records, are not included in the rate calculation and Massachusetts Electric does not collect fees for attachments to these poles.

Certificate of Service

I hereby certify that I have this day served the foregoing document upon the following person(s):

George B. Dean, Esq.
Chief, Regulated Industries Division
Office of the Attorney General
200 Portland Street
Boston, MA 02114

William D. Durand
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Boston Edison Company
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Dated at Westborough, Massachusetts July 27, 1998.

Sandy J. Brochu
Massachusetts Electric Company
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